



# L FUNDS

## LIFECYCLE FUNDS

### Information

as of December 31, 2015

#### Assets

\$80.2 billion

#### Net Administrative and Other Expenses\*

Fund	2015 Net Expenses	Other Expenses
L 2050	.029%	.013%
L 2040	.029%	.012%
L 2030	.029%	.010%
L 2020	.029%	.007%
L Income	.029%	.003%

\* An expense ratio of .029% translates to 2.9 basis points or \$0.29 per \$1,000 account balance. Fees associated with securities lending are not included in 2015 administrative expenses. Consistent with standard practice in the industry, they are charged in addition to administrative expenses. The other expenses represent fees paid to the investment manager for administering securities lending programs. Income earned from these programs improved the returns of the fund.

#### Investment Objective

Fund	Growth	Preservation of Assets
L 2050	High	Very Low
L 2040	High	Low
L 2030	Moderate/High	Low
L 2020	Moderate	Moderate
L Income	Low	High

#### Time Horizons

(when you expect to need the money)

Choose: If your time horizon is:

L 2050	2045 or later
L 2040	2035 through 2044
L 2030	2025 through 2034
L 2020	2017 through 2024
L Income	Now withdrawing or withdrawing before 2017

#### Inception

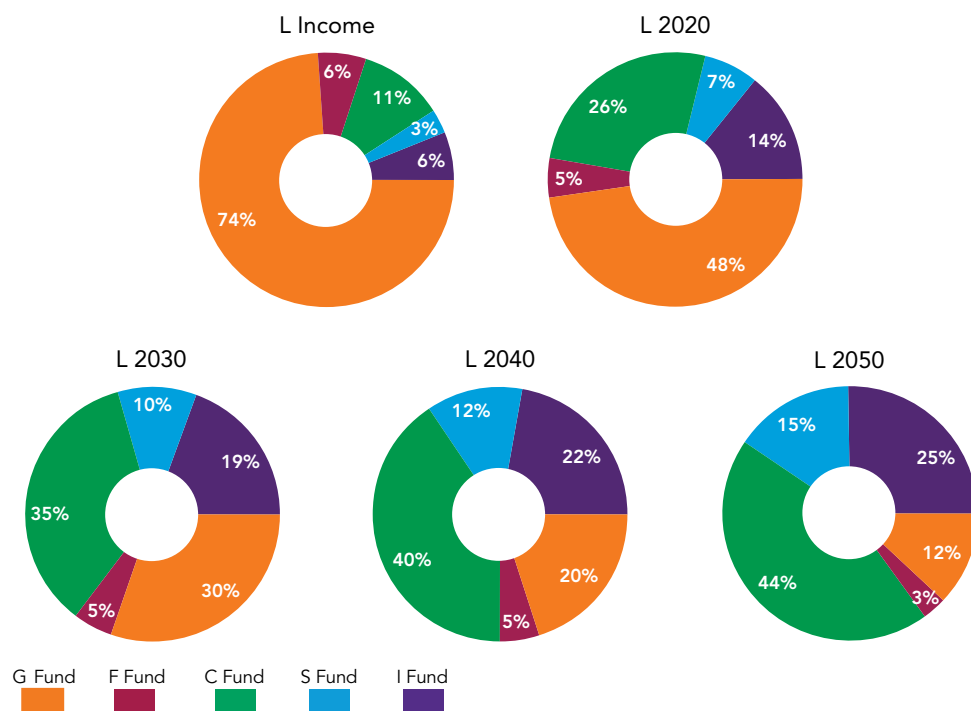
The first L Funds were introduced August 1, 2005

### Key Features

- The L Funds diversify participant accounts among the G, F, C, S, and I Funds using professionally determined investment mixes (allocations) that are tailored to different time horizons. The L Funds are rebalanced to their target allocations each business day. The investment mix of each fund adjusts quarterly to more conservative investments as the fund's time horizon shortens.
- The objective of the L Funds is to provide the highest expected rate of return for the amount of risk expected.
- Investing in the L Funds is not a guarantee against loss and does not eliminate risk. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss.
- The L Funds' returns will be approximately equal to the weighted average of the G, F, C, S, and I Funds' returns. Earnings are calculated daily, and there is a daily share price for each L Fund.

### Allocation Targets\*

As of January 2016



\* Due to rounding, numbers may not add up to exactly 100%.

# L Fund Facts

The L Funds are intended to meet the investment needs of TSP participants with time horizons that fall into five different date ranges, as shown on page 1. The five L Funds were designed for the TSP by Mercer Investment Consulting, Inc. The asset allocations are based on Mercer's assumptions regarding future investment returns, inflation, economic growth, and interest rates. The TSP reviews these assumptions at least annually to determine whether changes to the allocations are warranted.

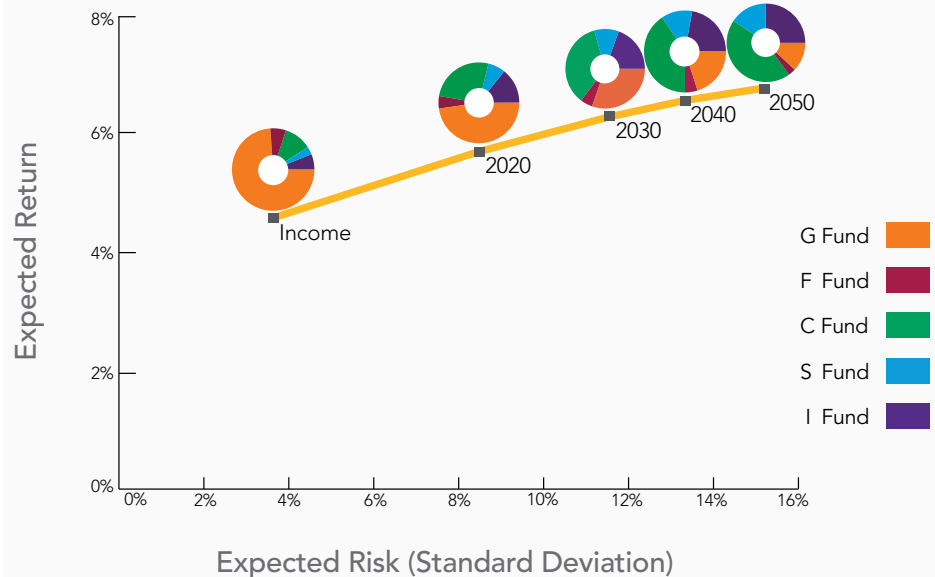
L 2050, L 2040, L 2030, and L 2020 are for participants with time horizons that fall within the defined date ranges. The asset allocations of these funds are adjusted quarterly, moving to a more conservative mix, gradually approaching that of the L Income Fund. Between quarterly adjustments, the asset allocation of each fund is maintained through daily rebalancing to that fund's target allocation. When a fund reaches its horizon, it will roll into the L Income Fund, and a new fund will be added with a more distant time horizon. For example, in 2010, the L 2010 Fund rolled into the L Income Fund, and shortly thereafter the L 2050 Fund was created.

The L Income Fund is designed to produce current income for participants who are already receiving money from their accounts through monthly payments and for participants who plan to withdraw or to begin withdrawing from their accounts in the near future. The asset allocation of the L Income Fund does not change over time; it is maintained through daily rebalancing.

The charts on page 1 show the January 2016 target allocations of the L Income, L 2020, L 2030, L 2040, and L 2050 Funds in each of the five underlying TSP funds. The allocation to the G Fund, which has the least amount of risk, is largest in the L Income Fund, and becomes successively smaller with the more distant target dates. In contrast, the allocations to the C, S, and I Funds, which carry varying degrees of risk, but also the potential for higher returns, are largest in L 2050 and smallest in the L Income Fund.

The graph above depicts the expected return and risk associated with each of the five L Funds based on the target allocations. The expected returns are derived from Mercer's economic assumptions and are not guaranteed. Expected variability of the investment

## L Funds and the Efficient Frontier



returns is a measure of risk in investing. For each risk level, there is an "optimal" asset allocation that has the highest expected return. The collection of optimal asset allocations make up the "Efficient Frontier," which is shown by the curve. Asset allocations that are below the Efficient Frontier are less than optimal, because there is an asset allocation along the frontier that has a higher expected return for the same level of risk, or lower risk for the same expected return. The five TSP L Funds have asset allocations that correspond to points shown on the Efficient Frontier. **Putting your entire TSP account into one of the L Funds will help you to achieve the best expected return for the amount of expected risk that is appropriate for your time horizon.**

Over time, the L Funds (except for the L Income Fund) will "roll down" the Efficient Frontier. That means that as their allocations are adjusted each quarter, the funds shift left on the line, becoming less risky until they eventually merge into the L Income Fund.

The administrative expenses associated with the L Funds are those of the underlying G, F, C, S, and I Funds, calculated in proportion to their allocations in each L Fund. The L Funds do not have any additional charges.

There are no restrictions on investing in the L Funds. You may invest any part of your TSP account in any L Fund, and even invest in more than one L Fund. **But it is recommended that you put your entire TSP account into just one L Fund—the one with the target date that is closest to your time horizon.** Any other strategy may result in an asset allocation that is less than optimal (i.e., not on the Efficient Frontier), or that is not suited to your investment time horizon.

**Remember, however, that expected risk and return are based on assumptions about future economic conditions and investment performance. There is no guaranteed rate of return for any period, either short-term or long-term.** For the L Funds' historical returns, visit "Fund Performance" at [tsp.gov](https://www.tsp.gov). Past performance does not guarantee future results.

**Note:** Participants' interfund transfer (IFT) requests redistribute their existing account balances among the TSP funds. For each calendar month, the *first two* IFTs can redistribute money among any or all of the TSP funds. After that, for the remainder of the month, IFTs can *only* move money into the G Fund. (For participants with more than one TSP account, this rule applies to each account separately.)